ADM Investor Services, Inc.

Weekly Futures Market Summary

July 31, 2023 **by the ADMIS Research Team**

BONDS:

Not surprisingly, the treasury market rebounded last Friday off a combination of a short-term oversold condition and partly because US data showed modest weakness in US personal income and Michigan consumer sentiment index readings for July. However, the latest Fed watch tool pegs the odds of a pause by the Fed in September at 80% and it will take a series of favorable economic readings and a few concerning inflation readings to shift the pendulum toward a rate hike. While treasury bonds managed to bounce off last week's lows the recovery appears to be technical balancing instead of a view that prices were cheap from a fundamental perspective.

In fact, with global interest rates showing signs of moving higher (Japanese yields hit a 9-year high) and the Minneapolis Fed over the weekend indicating that a US rate hike in September would be data dependent. While suggesting the next Fed meeting will be data dependent is not a bearish treasury price development on its own, the markets on Friday pegged the odds of a US interest rate hike at only 20.5% thereby lending a slightly bearish tilt to the weekend Fed commentary. Monday's US economic information is expected to be offsetting with Chicago purchasing managers posting a positive reading for July while the Dallas Fed manufacturing survey shows additional contraction from the big contraction seen last month.

However, equities are producing risk on sentiment and last week's positive US jobs news continues to favorably impact views toward the US economy. While the most recent COT positioning reports do not show significant oversold conditions in either bonds or notes, adjusted for the declines since the report of 2 points in bonds, the net short is nearing the highs of the last 14 months. The July 25th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders are net short 98,641 contracts after net buying 16,955 contracts. For T-Notes Non-Commercial & Non-Reportable traders were net short 638,425 contracts after decreasing their short position by 3,895 contracts.

CURRENCIES:

While the dollar should remain in general control, last Friday's US personal income readings and the Michigan consumer sentiment readings prompted a measure of long profit-taking. However, declining US recession prospects and a 20% chance of a US rate hike in September should ultimately leave the dollar in an uptrend. The dollar started this week by tracking in positive territory, but the chart action is not definitively positive unless Friday's high at 101.82 is taken out following Monday’s US scheduled data. At least to start, the Dollar retains a fundamental edge from recent strength in economic data and the prospect of even higher rates.

However, at present market expectations have only a 20% chance of a September US rate hike which many Fed members have indicated will be determined by data. Therefore, data flows will have a cumulative impact on the needle of the direction of the US Fed with the direction of the needle attempting to move toward a hike from the data last week. The Commitments of Traders report for the week ending July 25th showed Dollar Non-Commercial & Non-Reportable traders reduced their net long position by 5,273 contracts to a net long 6,328 contracts.

Over the weekend European Central Bank dialogue cast concern on wage price inflation and stubborn core inflation which has helped cushion the euro against what appears to be a slight edge by the dollar. However, German import prices fell significantly, German retail sales were much softer than expected and both Italian and Euro zone consumer prices showed signs of softening. Therefore, hope for an ECB rate hike is not as credible as hope for a US rate hike. The Commitments of Traders report for the week ending July 25th showed Euro Non-Commercial & Non-Reportable traders were net long 246,490 contracts after decreasing their long position by 2,268 contracts.

Despite Japanese rates breaking out to 9-year highs and talk of less accommodative central bank policies, the Yen remains out-of-favor. Obviously, the trade thinks the Japanese economy is so entrenched in slowing/deflation type conditions that it will be the last to shake off decades of rust. While the Swiss franc was significantly short-term oversold following last Wednesday and Thursday's sharp reversal washout action, a slight bounce early this week combined with lingering bearish fundamentals leaves the path of least resistance pointing down.

While the charts in the Pound are not particularly bullish, they do favor the bull camp with a long-term uptrend channel support line. The Pound should draft support from a jump in June GBP mortgage approvals and by a massive jump in net lending to individuals. With a lower low in the early trade this week, the trend for the Canadian dollar is pointing down. Apparently, last week's chatter about the Bank of Canada being "done" has pushed the Canadian dollar from favor. It is possible that recent political turmoil, out-of-control wildfires in British Columbia and a West Coast dockworkers labor tiff add to the negative tone in the Canadian. However, it appears that the dockworkers and the employers Association reached an agreement late Sunday thereby removing at least one bearish fundamental.

STOCKS:

The equity market continued to follow-through on the upside last Friday with a fear of missing out, combining with improved confidence the US will avoid a recession. The market was also benefited last week by favorable Facebook ad revenues and from a stronger-than-expected US GDP report. Yet another supportive development for the bull camp was indications from Intel of a boost in shipment demand from an end to the PCE market slump.

While global equity markets gains early this week were not significant, the tone of risk on has extended into a new trading week. We suspect the markets remain hopeful of a pause in US rate hikes but weekend comments from the Minneapolis Fed indicating the Fed will be data dependent on the September rate decision probably shifts expectations on a rate hike up from a mere 20.5% as measured by the Fed Watch tool at the CME. We see some negative tech sector headlines from legal/regulatory problems and from news Tesla of price reductions on 2 models in Hong Kong.

With a modest amount of international tailwinds, minimal optimism from Chinese manufacturing data, optimism toward the US economy from last week's data and positive chart action, the bull camp starts the new week with an edge. The S&P futures should retain significant short covering capacity with the latest net spec and fund short of 239,990 contracts putting the market in a position where short covering could be immense. The Commitments of Traders report for the week ending July 25th showed E-Mini S&P Non-Commercial & Non-Reportable traders were net short 239,990 contracts after decreasing their short position by 14,119 contracts.

While the Dow paused and marked time on the charts last week, we see solid support shelving. While the Dow futures are not as "net speculative short" as the S&P, further gains could provide short covering and fresh outright buying. The July 25th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders net bought 6,705 contracts and are now net short 244 contracts. In retrospect, the NASDAQ has built a very solid shelf of support at 15,500 with 6 days of respect for that level ultimately resulting in a bounce of 450 points.

While the tech news is not particularly helpful with Google facing antitrust charges in Italy, Elon Musk under fire for a giant "X" logo on a building in San Francisco and given news that Tesla has cut prices for two models in Hong Kong the index has tracked in positive territory early today. Nasdaq Mini positioning in the Commitments of Traders for the week ending July 25th showed Non-Commercial & Non-Reportable traders added 2,827 contracts to their already short position and are now net short 5,029.

GOLD, SILVER & PLATINUM:

Despite favorable internal demand news, the gold market starts this week off under pressure from strength in the dollar and signs of higher global interest rates. While comments from a Chinese state planner indicating they will push for an expansion of household consumption sounded like the 6th stimulus announcement, that news combined with a slight improvement in Japanese manufacturing PMI readings for July should have been more supportive of gold, silver, and many physical commodities. Unfortunately for the bull camp gold ETF holdings last week fell by 329,000 ounces with a decline on Friday of 50,383 ounces putting year to date holdings down 2.3%. Similarly, silver ETFs reduced their holdings by 810,870 ounces.

Gold prices should see some support from IMF predictions that since the end of October China has increased its official holdings by 128 metric tonnes, but that has been heavily countervailed by an outflow from ETF instruments of 100 tonnes over the same timeframe. Unfortunately for the bull camp, the big range reversal failure last Thursday was forged on big volume and a washout in open interest possibly signaling a long liquidation trend. On the other hand, hedge funds in the most recently published reports cut down their long bets again while the small speculators reduced their net longs by slightly less than 10%. Therefore, the overbought technical condition has been moderated but remains vulnerable to more selling.

The July 25th Commitments of Traders report showed Gold Managed Money traders reduced their net long position by 19,616 contracts to a net long 116,291 contracts. Non-Commercial & Non-Reportable traders long 204,140 contracts after decreasing their long position by 16,162 contracts. Silver positioning in the Commitments of Traders for the week ending July 25th showed Managed Money traders reduced their net long position by 9,797 contracts to a net long 20,718 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 6,173 contracts to a net long 49,674 contracts. Not surprisingly, a number of analysts moved to reduce their gold and silver price forecasts, as flight to quality long interest has waned with the end of recession talk, the Indians have shown a recent aversion to currency-adjusted prices and what little central bank buying has been noted has failed to move the needle with respect to bullish sentiment.

With the downside failure last week extending a 2 week decline of $72, the platinum market has not benefited from the improvement in global economic sentiment. Therefore, platinum probably relies heavily on a noticeable improvement in the Chinese auto sector recovery as several stories of lost supply from power issues in mining facilities in South Africa have not been a concern to the trade. Unfortunately for the bull camp last Friday saw 11,901 ounces flow out of platinum ETF holdings with holdings declining by 49,315 ounces last week. Palladium ETF holdings were down only 1 ounce Friday and saw 6,533 ounces exit all of last week with year-to-date holdings still up 11%. Unfortunately, platinum and palladium prices have slid despite the latest Swiss clearinghouse export tally showing stronger global demand.

Unfortunately for the bull camp, the net spec and fund long positioning in platinum remains in the upper 75% of the normal range indicating the market is still vulnerable to long liquidation of weak handed speculative players. The July 25th Commitments of Traders report showed Platinum Managed Money traders net sold 313 contracts and are now net long 7,030 contracts. Non-Commercial & Non-Reportable traders added 466 contracts to their already long position and are now net long 21,087. Near term downside targeting in October platinum is $926.10. The path of least resistance remains down in palladium with 3 weeks of lower highs and lower lows repeatedly confirmed by surging open interest.

However, the market has forged another record net spec and fund short position, and that reading is clearly understated with the decline of $67 from the report into last week's low. Therefore, we estimate the net spec and fund short adjusted for the action late last week is net short over 10,000 contracts compared to total open interest of 18,000 contracts. Palladium positioning in the Commitments of Traders for the week ending July 25th showed Managed Money traders are net short 7,820 contracts after net selling 62 contracts. Palladium Non-Commercial & Non-Reportable traders hit a new extreme short of 8,958 contracts. Non-Commercial & Non-Reportable traders added 82 contracts to their already short position and are now net short 8,958.

COPPER:

With a Chinese state planner indicating they were working to expand household consumption and given a favorable Chinese NBS manufacturing PMI reading for July, the upside breakout in copper early this week was justified. While the Chinese have offered at least 6 separate stimulus plans to stoke their economy, it was not until last Friday that some sign of psychological benefits were being seen with very aggressive gains in Shanghai stock markets. Perhaps the copper market was discouraged that the Chinese central bank did not cut interest rates. At the end of last week, copper forged 3 significant range trades with aggressive swings in both directions and with 2 of the 3 swings showing positive traction.

Fortunately for the bull camp, last week's gains in LME copper warehouse stocks were offset by a weekly decline in Shanghai copper warehouse stocks. LME copper warehouse stocks on Friday increased by 2,175 tonnes, while Shanghai copper stocks fell by 21.3% or 16,680 tonnes. While recent Chinese economic data has not caused sustained reactions in the marketplace, Monday’s Chinese manufacturing PMI results should provide a measure of lift for copper as the Chinese stimulus effort continues to accumulate. From a technical perspective, the copper market is basically leveled in its spec positioning and with trades below $3.80 the market could be net spec and fund short. The July 25th Commitments of Traders report showed Copper Managed Money traders are net long 13,502 contracts after net buying 2,803 contracts. Non-Commercial & Non-Reportable traders received 3,526 contracts after increasing their already long position by 3,019 contracts.

ENERGY COMPLEX:

It is possible that the funds have turned bullish given long-term technical signals have turned bullish and the outlook for the global economy has improved enough to prompt fundamental funds to get long crude oil. In fact, even the hedge funds have boosted their bullish positioning throughout the petroleum complex despite less concern of energy price inspired inflation. However, the bull camp should be inspired by a 2.2% decline in weekly crude oil in global floating storage, talk of the strongest monthly price gain since January 2022 and from an extension of global risk on in equity markets. To a lesser degree crude oil is supported by reduced recession fears but that support is countervailed by ongoing outflows from oil ETF instruments.

The crude oil market has been stellar in its ability to embrace bullish resiliency and will need to expand that bullish resiliency given the expanding overbought technical condition and the market's return to the vicinity of a previous key high at $81.44. Certainly, last week provided a significant boost for global energy demand expectations and that optimism was expanded upon by evidence that Russia was moving to reduce its August exports by 500,000 barrels per day. Adding into the reduction in output theme are indications from Saudi officials indicating they will expand their voluntary oil production cutbacks for September! Despite the run-up in prices, US drillers reduced their rig operating counts for the 8th month in a row in a development that can take as much as 12 months to begin to have an impact. The oil and gas rig count fell to the lowest level since March 2022.

However, despite the massive $13.50 rally off the late June low, the net spec and fund long position in crude oil remains in the lower 25% of the last 10 years positioning range. Keep in mind that several weeks ago, the net spec and fund long in crude oil fell to the lowest level in 8 years! The July 25th Commitments of Traders report showed Crude Oil Managed Money traders were net long 192,104 contracts after increasing their already long position by 18,819 contracts. Non-Commercial & Non-Reportable traders added 19,776 contracts to their already long position and are now net long 288,915. The crude oil market starts the new trading week with an extension of optimistic demand views but could be held back by headlines touting record Russian oil drilling pace which in the first half was 8.6% above the prior year.

In addition to gasoline entering the new trading week significantly overbought from last week's upside explosion, the bull camp might be undermined by reports that Russia will not ban exports of gasoline as that combined with Chinese intentions to expand product exports significantly in August presents a bull market with some noted headwinds. There is no doubt about it: the gasoline market was the primary driving force of the July rally with the high to low gain carving out $0.50. Granted, some of the gains last week came from a surprise refinery glitch at a Louisiana refinery, but solid weekly EIA implied gasoline demand has been present in 4 of the past 5 weeks but seasonal patterns should begin to erode soon.

We also suspect a large amount of buying of gasoline was spurred by the definitive “risk on” sentiment flowing from US equity markets. Therefore, the bull camp needs assistance from further equity market gains and signs of good economic activity in the US and Europe. However, Chinese traffic activity readings have shown weakness recently and should be monitored closely. Unlike the crude oil market, the gasoline market net spec and fund long was high in the last 4 years range and with the gains since the last COT report of $0.13 the net spec and fund long is likely to be near the highest levels in 18 months. Gas (RBOB) positioning in the Commitments of Traders for the week ending July 25th showed Managed Money traders added 6,843 contracts to their already long position and are now net long 71,510. Non-Commercial & Non-Reportable traders were net long 69,670 contracts after increasing their already long position by 1,460 contracts.

In our opinion, the gasoline market is overbought and vulnerable to a moderate setback as a one-month rally of $0.60 without sustained supply threats is excessive. Not surprisingly, the diesel market is also wound up and has been exploding on the upside. While last week's EIA implied distillate demand was not ultra-strong, it was helpful to the bull camp. Furthermore, there has been bullish talk toward diesel in international cash markets and on a relative price basis heating oil has further caught up with gasoline prices. Unfortunately, the diesel market is also overbought with adjustments from the last COT report putting the net long at a 13-month high. Heating Oil positioning in the Commitments of Traders for the week ending July 25th showed Managed Money traders are net long 24,792 contracts after net buying 6,183 contracts. Non-Commercial & Non-Reportable traders net long 49,218 contracts after net buying 5,972 contracts.

With the natural gas market turning lower last week and remaining soft through supportive smaller than expected weekly injection readings, the trade is not easily concerned about excess heat eating into a cushion of supply. While the Russian national gas company showed a minimal downtick in the amount of gas sent through Ukraine to Europe on Sunday, flows remain strong with no sign of letup. However, as the month progresses, European and Asian buyers are likely to become steady buyers as they work to fill their strategic storage ahead of the winter months. The weekly Baker Hughes rig operating count showed an increase of 4 gas rigs which was the first increase in 3 months.

The Commitments of Traders report for the week ending July 25th showed Natural Gas Managed Money traders net bought 18,854 contracts which moved them from a net short to a net long position of 3,624 contracts. Non-Commercial & Non-Reportable traders were net short 70,739 contracts after increasing their already short position by 5,330 contracts. From a technical perspective, natural gas prices closed Friday at almost the middle of the sideways channel in place since late March and we favor the downward tilt. In fact, the net spec and fund short in natural gas has consistently moderated taking the market away from mostly sold-out status to merely balanced. We give the edge to the bear camp as the trade has been unable to find excessive or sustained heat capable of overcoming on hand supplies in certain regions. In fact, over the last 2 weeks, export issues in the US probably serve to backup supply which could mean this week's injection could be larger than anticipated.

BEANS:

In addition to a milder US weather forecast soybeans were under pressure early this week from a continuation of losses in palm oil futures from expectations of higher production in Indonesia. On the other hand, press coverage continues to tout the threat of lost production from El Nino which could mean the palm oil discount to soybean oil will narrow. However, US weather in the Midwest showed a front slipped over the region over the weekend and brought lower temperatures and widespread rain along with severe weather. Certainly, the showers have stalled slightly off to the southern Midwest area, but the trade currently expects only one or 2 days of heat leaving the weather conducive to crop development. Apparently, a downward revision in the EU oilseed crop was seen as a less significant issue with this year's rapeseed crop expected to be only 0.7% below the 19.4 million tonnes produced last year.

The soybean market has downgraded its concerns for adverse temperatures ahead with the extremely threatening forecasts from last week basically moderating as we enter the new trading week. As has been the pattern for the past 6 weeks, multiple rain events are possible that are highly diversified in their area and highly variant with the amount of rainfall in each area. However, one thing is clear in that the extreme heat has been reduced and or narrowed into spotty geographic distribution. However, Monday night's US crop conditions report will be another major event as the amount of active rain events with smallish individual rainfall tallies is likely offset by the ongoing extremely dry subsoil moisture condition.

On the other hand, if the soybean crop is resilient (it can shut down plant functioning and revive without yield losses), Monday’s report should confirm that capacity. Therefore, we are bearish toward the crop conditions report, but our focus will be on the amount of poor to very poor beans versus the good to excellent categories. In other words, the bull camp only needs a small amount of severe damage to verify a portion of the crop will find it very difficult to improve and that might be enough given a low acreage base. However, on the other hand improved good to excellent and smaller poor to very poor numbers gives the bear camp ongoing control and the potential to send futures below $13.20.

After posting a series of weak trades, the palm oil market is expected to move sideways to lower this week and that will foster outside selling pressure on soybeans. On the other hand, it should be noted that the US export wire has become quite active (relative to the prior 6 months) and that should give sellers pause. The net spec and fund long positions were more overbought than flat while the managed Money fund traders were certainly reaching significant overbought territory before the wash of $0.41. The Commitments of Traders report for the week ending July 25th showed Soybeans Managed Money traders were net long 120,739 contracts after increasing their already long position by 24,925 contracts. CIT traders were net long 152,705 contracts after increasing their already long position by 4,413 contracts. Non-Commercial No CIT traders are net long 87,018 contracts after net buying 25,906 contracts. Non-Commercial & Non-Reportable traders net long 116,594 contracts after net buying 34,058 contracts.

Soyoil positioning in the Commitments of Traders for the week ending July 25th showed Managed Money traders were net long 54,190 contracts after increasing their already long position by 9,276 contracts. CIT traders were net long 114,430 contracts after decreasing their long position by 996 contracts. Non-Commercial No CIT traders were net long 15,816 contracts after increasing their already long position by 7,902 contracts. Non-Commercial & Non-Reportable traders net bought 11,216 contracts and are now net long 64,054 contracts. Soymeal positioning in the Commitments of Traders for the week ending July 25th showed Managed Money traders net bought 11,225 contracts and are now net long 70,174 contracts. CIT traders are net long 115,953 contracts after net buying 3,589 contracts. Non-Commercial No CIT traders added 8,297 contracts to their already long position and are now net long 60,854. Non-Commercial & Non-Reportable traders added 12,023 contracts to their already long position and are now net long 124,986.

CORN:

There was price pressure on the corn market to start the week on improved weather as weather bulls throw in the towel. Forecasts for the hot temperatures to stay south of the main corn belt for the next 2 weeks will be ideal to finish off pollination. Heavy rains fell across Nebraska at the start of this week and with the ridge drifting further south, more storms are expected over the next 5 days in Nebraska, southern Iowa, Missouri, and southern Illinois and Indiana with mostly seasonal temperatures. This improvement in the forecast is the dominant market force early this week, overriding the Russian attack on a grain facility at the port of Kherson over the weekend.

Argentina's “corn dollar" program bought in 2.4 million tonnes of grain between July 25-27th, slightly larger than expected. However, Argentine farmer sales are still behind normal estimated at 52% sold compared to 59% 5-year average and harvest is ongoing at 68% done. Corn export competition will continue very high. The algorithmic analysis firm, Planalytics, pegged their US corn yield at 176.3 bushels per acre and if realized, a carryout above 2 billion is nearly assured without big demand improvements. Funds sold 9,500 contracts Friday and, unfortunately for the bulls, prices gapped lower pushing DEC below $5.26 and keeping the technical picture weak. Crop conditions are expected to decline slightly, but low range closes the last 3 days and the gap lower at the start of this week have to be very disappointing to the bull camp.

Commitment of Traders data showed funds went on a massive buying spree up to mid-last week, adding 133,000 long contracts across the CBOT ag products, with total longs now 232,000. The pullback late last week is expected to reduce the total number of longs, but the point is if prices fail to gain traction early this week, long liquidation can be expected.
Corn positioning in the Commitments of Traders for the week ending July 25th showed Managed Money traders went from a net short to a net long position of 26,603 contracts after net buying 73,529 contracts. CIT traders were net long 325,052 contracts after increasing their already long position by 19,449 contracts. Non-Commercial No CIT traders reduced their net short position by 53,255 contracts to a net short 37,382 contracts. Non-Commercial & Non-Reportable traders went from a net short to a net long position of 11,804 contracts after net buying 57,107 contracts.

WHEAT:

Spillover pressure from corn and beans and improved Midwest weather is offsetting any bullish Black Sea uncertainty for the wheat market. There were no new port attacks on Sunday and Monday after Russia struck grain infrastructure in the port of Kherson Saturday; however, the Black Sea ports are expected to remain unusable by Ukraine until after the war, mitigating any bullish market reaction. Instead, a slight increase in Russian wheat crop estimates by SovEcon and reports Ukraine total exports for the last 12 months were up 34% year-over-year, is giving the bear camp reasons to press the short side.

The Canadian Prairies saw some limited precipitation over the last few days, but 50% of their wheat will remain too dry into early August as precipitation underperforms. Weekend reports of wheat field fires due to drought in Ontario hit newswires. DEC support is $6.95-$6.99 and could be challenged today. Russia is working on a decree ag export payments must be settled in rubles, bypassing the SWIFT sanctions. Spring wheat conditions this afternoon will be watched closely for improvement as some beneficial rains moved through central North Dakota late last week.

The Commitments of Traders report for the week ending July 25th showed Wheat Managed Money traders reduced their net short position by 14,086 contracts to a net short 40,332 contracts. Non-Commercial & Non-Reportable traders were net short 31,420 contracts after decreasing their short position by 15,316 contracts. KC Wheat Managed Money traders are net long 23,145 contracts after net buying 10,495 contracts. Non-Commercial & Non-Reportable traders added 12,554 contracts to their already long position and are now net long 17,319.

HOGS:

October hogs look poised to take a stab at the July 20-21 highs and resume their gradual uptrend. There may not be a compelling fundamental argument for a sustained rally except for a seasonal tendency for prices to increase this time of year and the fact that hog weights are lighter than normal. The USDA estimated hog slaughter came in at 460,000 head Friday and 82,000 head for Saturday. This brought the total for last week to 2.392 million head, up from 2.316 million the previous week and 2.292 million a year ago. Estimated US pork production last week was 501.0 million pounds, up from 485.8 million the previous week and 483.8 million a year ago. The estimated average dressed hog weight last week was 209 pounds down from 210 pounds the previous week, 211 a year ago and a five-year average of 209.6.

The average weight has been bouncing back and forth between 209 and 210 pounds for six weeks. They tend to bottom in late August/early September. The CME Lean Hog Index as of July 26 was 105.84, up from 105.79 the previous session and 103.60 a week prior. The USDA pork cutout released after the close Friday came in at $112.56, down $1.45 from Thursday and down from $114.13 the previous week. Friday's Commitments of Traders report showed managed money traders were net sellers of 624 contracts of lean hogs for the week ending July 25, reducing their net long to 27,308. They are still in the lower third of their historic range of net longs and thus are far from overbought. October hogs are trading at a 22.42 discount to the cash market versus a five-year average discount of 13.60, which is supportive.

CATTLE:

Beef prices keep falling and packer margins are falling deeper in the red, but cattle supplies remain tight. The USDA estimated cattle slaughter came in at 110,000 head Friday and 10,000 head for Saturday. This brought the total for last week to 619,000 head, down from 624,000 the previous week and 666,000 a year ago. The estimated average dressed cattle weight last week was 813 pounds, up from 812 the previous week and unchanged from a year ago. The 5-year average weight for that week is 818 pounds. Estimated beef production last week was 502.5 million pounds, down from 540.6 million a year ago.

The USDA boxed beef cutout was down 24 cents at mid-session Friday and closed 86 cents lower at $302.00. This was down from $302.74 the previous week and was the lowest it had been since May 25. Cash live cattle trade was very quiet last week. As of Friday afternoon, only 9,901 head had been reported for the entire week versus 52,000 the previous week, 28,000 the week before that, and 46,000 the week before that (4th of July). Of the 9,901 reported last week, 9,288 were in Iowa/Minnesota, 162 in Kansas, and 451 in Nebraska. Perhaps more will show up in the revisions later today. As of Friday afternoon, the 5-day average for Iowa/Minnesota was 185.99, down from 187.52 the previous week (-1.53).

October futures settled 2.175 lower last week. Friday's Commitments of Traders report showed managed money traders were net sellers of 10,515 contract of live cattle for the week ending July 25, reducing their net long to 104,115. This was a substantial amount of selling in one week, but the market is still in an historically overbought situation. The selling trend is short-term negative. The Indonesian government has suspended imports of live cattle from Australia following the detection of the Lumpy Skin Disease (LSD) virus in livestock shipped from that nation. The disease is highly contagious among cattle but poses no risk to humans and has never been detected in Australia.

COCOA:

While the near-term outlook remains uncertain, the cocoa market has received positive demand news that has partially offset disappointing second quarter grindings results. With a 172-point monthly gain going into the final trading day of July (up 5.1% in value), the cocoa market is vulnerable to month-end profit-taking. September cocoa held within a relatively tight price range as it could not shake off early pressure and finished Friday’s trading session with a mild loss. An inability to retest Thursday’s 12-year high may have fueled additional long liquidation that pressured cocoa prices late in the day.

For the week, however, September cocoa finished with a gain of 110 points (up 3.2%) which was a third positive weekly result in a row. A rebound in the Euro and British Pound provided the cocoa market with early carryover support as that will make it easier for European grinders to acquire near-term cocoa supplies. There were upgrades last week to earnings guidance from major US chocolate makers Hershey and Mondelez which have come in spite of cocoa’s 10-month uptrend and have underpinned prices. Cocoa’s near-term supply outlook remains bullish with heavy rainfall over West African growing areas lead to the spread of diseases.

Updated forecasts have the current El Nino weather event lasting through the first quarter of 2024 which will negatively impact cocoa production in West African and southeast Asia over that timeframe. The Commitments of Traders report for the week ending July 25th showed Cocoa Managed Money traders added 3,852 contracts to their already long position and are now net long 78,397. CIT traders were net long 34,619 contracts after decreasing their long position by 1,464 contracts. Non-Commercial No CIT traders were net long 52,020 contracts after increasing their already long position by 2,463 contracts. Non-Commercial & Non-Reportable traders were net long 82,998 contracts after increasing their already long position by 349 contracts.

COFFEE:

Coffee prices were unable to sustain an upside breakout of their recent consolidation zone and may be heading for a retest of their mid-July lows. With signs of improving out of home demand providing support, coffee prices may be able to regain upside momentum this week. September coffee fell to a 1-week low before finishing Friday’s trading session with a sizable loss. For the week, September coffee finished with a loss of 3.95 cents (down 2.4%) and a negative weekly reversal from last Monday’s 4 1/2 week high.

Brazil’s Arabica harvest has made up for early delays with extended dry weather, and that should lead to more of their newly-harvest supply reaching the global export market. Safras and Mercado said that Brazil’s 2023/24 Arabica harvest was 65% complete as of last Tuesday, which was slightly behind last year’s pace and compares to a 5-year average of 71% completed on that date. Brazil is widely expected to have larger Arabica coffee production during the 2023/24 season, and that continued to weigh on coffee prices going into the weekend.

Vietnam’s general statistics office estimated their nation’s 2023 coffee exports through the end of July at 18.2 million bags which would be a 6% decline from last year’s comparable level. ICE exchange coffee stocks fell by 3,771 bags on Friday and with one day left in July are more than 16,000 bags below their June month-end total. This puts ICE exchange coffee stocks on-track for a sixth monthly decline in a row and the third lowest month-end total this century.

The July 25th Commitments of Traders report showed Coffee Managed Money traders reduced their net short position by 1,233 contracts to a net short 14,687 contracts. CIT traders were net long 45,981 contracts after increasing their already long position by 1,317 contracts. Non-Commercial No CIT traders were net short 14,870 contracts after decreasing their short position by 1,404 contracts. Non-Commercial & Non-Reportable traders were net short 7,079 contracts after decreasing their short position by 1,678 contracts.

COTTON:

The cotton market clearly got overdone on the extreme heat theme last week and sold off sharply, but the Texas crop is not out of the woods yet. We expect a reduction in their crop conditions in Monday afternoon's weekly USDA Crop Progress report. Last week's report showed 46% of the US crop was rated good/excellent (G/E) versus 45% the previous week, 34% a year ago, and a 10-year average of 50%. In Texas, 24% was rated G/E versus 26% the previous week, 18% a year ago, and a 10-year average of 38%. West Texas is not expected to see any rain in the next 5 days, and the 1-7-day forecast has temperatures 4-8 degrees above normal and precipitation at 5% to 75% of normal.

The 6-10 and 8-14-day forecasts have above or much above normal temperatures and normal to above normal chances of rain. The temperature forecasts have been consistent, but the level of moisture has varied. Hot weather in the Delta, with highs in the 100s and overnight lows in the 70s is stressful for the crop. India received 10% below normal rainfall in June, but some in some states the deficit was as much as 60% below average. Indian cotton plantings as of July 28 reached 11.7 million hectares, down from 11.8 million the same period last year.

Cotlook has raised its forecast for 2023/24 global cotton surplus to 1.69 million tonnes, up from 1.68 million in June. They raised Brazil's output by 100,000 tonnes, offsetting a decline in China. They also raised their 2022/23 surplus to 2.22 million tonnes from 2.04 million previously. Friday's Commitments of Traders report showed managed money traders were net buyers of 23,887 contracts of cotton for the week ending July 25, increasing their net long to 29,284. This is their largest net long since October, but it is well short of the 2021 peak at 95,000 and the all-time high of 109,000 from 2018, so the market would not be considered overbought, at least from the standpoint of the COT reports. China plans to release 10,003 tonnes of cotton reserves starting July 31.

SUGAR:

Sugar prices have turned back to the downside as bearish supply news has more than offset carryover support from key outside markets. Until there is a bullish shift in its supply outlook, the sugar market could lose further ground this week. October sugar started out under pressure and fell to a 1-week low before finishing Friday’s trading session with a sizable loss. For the week, October sugar finished with a loss of 1.09 cent (down 4.4%) which broke a 3-week winning streak and was a negative weekly reversal from last Monday’s 5-week high.

On Friday, crude oil prices reached a 3 1/2 month high, RBOB gasoline prices reached a 10-month high and the Brazilian currency reached a 13-month high, all of which provided carryover support to the sugar market as that combination of stronger outside markets may encourage Brazilian mills to shift a significant portion of their crushing from sugar production over to ethanol production. Though mid-July, however, Brazil’s Center-South cane crush was 10% ahead of last season’s pace while Center-South sugar production was 21% ahead of last season's pace as mills had sugar's share of crushing well ahead of 2022/23's comparable levels.

There is dry weather in the forecast for Brazil's Center-South cane growing regions through early next week which reduces the potential for extensive delays to their harvesting and crushing. India's 2023 monsoon rainfall is now 6% above their long-period average as of Sunday, with eastern Uttar Pradesh as the only major cane-growing region which has deficient monsoon rainfall this year. India's Farm Ministry said that their nation's farmers have planted 5.6 million hectares of cane this year as of last Friday which compares with 5.3 million on that date last year.

While India's states of Maharashtra and Karnataka are expected to have production losses, the rebound in monsoon rainfall this year should help India to avoid further production losses during the 2023/24 and 2024/25 seasons. The Commitments of Traders report for the week ending July 25th showed Sugar Managed Money traders net bought 31,980 contracts and are now net long 178,530 contracts. CIT traders are net long 177,801 contracts after net buying 5,597 contracts. Non-Commercial No CIT traders are net long 113,055 contracts after net buying 23,741 contracts. Non-Commercial & Non-Reportable traders are net long 220,475 contracts after net buying 29,434 contracts.

Please contact us at + 1 877 690 7303 or via email at sales@admis.com for questions or comments on this report or would like more information about our ADMIS research reports.

Follow ADMIS on Social Media